

**GENERAL ANILINE &
FILM CORPORATION**



Annual Report

1943

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FILM CORPORATION**



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1943

230 PARK AVENUE • NEW YORK 17, N. Y.

GENERAL ANILINE & FILM CORPORATION

DIRECTORS

NEAL DOW BECKER

COLVIN BROWN

GEORGE W. BURPEE*

WILLIAM F. CAREY

ROBERT F. CARR

WILLIAM H. COVERDALE*

HERBERT R. GALLAGHER

MATTHEW J. HICKEY, JR.*

LOUIS JOHNSON*

THOMAS A. O'HARA*

ALBERT N. WILLIAMS

E. C. WILLIAMS*

ROBERT E. WILSON*

* Members of Executive Committee.

PRINCIPAL OFFICERS

GEORGE W. BURPEE,
President

E. C. WILLIAMS,
Vice President

WILLIAM F. ZIMMERLI,
Vice President

W. I. McNEILL,
Vice President and Controller

DAVID B. DYCHE,
Treasurer

FRANCIS A. GIBBONS,
Secretary

EXECUTIVE OFFICES

230 Park Avenue, New York 17, N. Y.

Transfer Agents

CITY BANK FARMERS TRUST COMPANY
22 William Street, New York 15, N. Y.

CORPORATION TRUST COMPANY
15 Exchange Place
Jersey City 2, N. J.

Registrars

BANK OF THE MANHATTAN COMPANY
40 Wall Street, New York 15, N. Y.

COMMERCIAL TRUST COMPANY OF NEW JERSEY
15 Exchange Place
Jersey City 2, N. J.

GENERAL ANILINE & FILM CORPORATION

Annual Report for 1943

TO THE STOCKHOLDERS:

General Aniline & Film Corporation is managed by a Board of Directors nominated by the Alien Property Custodian of the United States and elected by the Stockholders. The Company was formerly one of the principal foreign operations of the German Chemical Trust known as I. G. Farbenindustrie. In February 1942 control of the foreign owned stock was seized by the United States Government. Title to 90.47% of the Common A Stock and to all of the Common B Stock remains vested in the Alien Property Custodian.

The policy of the Board of Directors, in conformity with the directives of the Custodian, is to operate the Company as a completely American organization in accordance with sound business methods, applying its activities and facilities to the fullest extent to the aid of the war effort, and looking forward to its continued operation as an American owned and controlled enterprise.

RESULTS OF OPERATIONS

Net profit carried to surplus in 1943 amounted to \$3,624,800 or \$4.95 per share of Common A Stock as compared with \$3,374,217 or \$4.61 per share in 1942. Previously reported earnings for 1942 amounted to \$3,483,467, or \$4.75 per share, the difference of \$109,250 representing the net effect of renegotiation on the profit for that year.

Results of the Company's operations for the four years ended December 31, 1943 are summarized below:

	1943	1942	1941*	1940*
Net Sales	\$58,807,790	\$43,240,715	\$45,644,761	\$30,893,202
Profit from Operations.....	\$13,551,713	\$ 9,064,703	\$10,106,762	\$ 4,763,535
Dividend and interest on domestic securities	657,561	690,015	1,446,126	1,394,956
Other income	334,974	250,061	296,881	266,656
Miscellaneous (deductions).....	(362,060)	(394,777)	(345,717)	(232,520)
	\$14,182,188	\$ 9,610,002	\$11,504,052	\$ 6,192,627
Interest on debentures, including amortiza- tion of debenture discount and expense in 1943 and 1942.....	1,025,579	1,103,873	1,070,813	1,232,440
	\$13,156,609	\$ 8,506,129	\$10,433,239	\$ 4,960,187
Profit from sale of securities.....	471,753	411,871	—	—
Dividend on stock of I. G. Chemie.....	—	—	450,626	646,521
Profit before Taxes and Reserves, Etc.	\$13,628,362	\$ 8,918,000	\$10,883,865	\$ 5,606,708
Provision for Federal income and excess profits taxes	9,003,562	5,434,533	5,985,926	1,150,651
Profit before Reserves, Etc.	\$ 4,624,800	\$ 3,483,467	\$ 4,897,939	\$ 4,456,057
Provision for Contingencies (1941) and Welfare (1940)	—	—	782,208	350,000
Net refund on renegotiation for year 1942..	—	109,250	—	—
Provision for special accruals due to war time operations (renegotiation, deferred costs related to the war period, etc.).....	1,000,000	—	—	—
Net Profit	\$ 3,624,800	\$ 3,374,217	\$ 4,115,731	\$ 4,106,057

	1943	1942	1941*	1940*
Net Profit per Share—Common A Stock....	4.95	4.61	5.61	5.59
—Common B Stock....	.495	.461	.561	.559
Provision for depreciation charged to costs and expenses	\$ 1,904,425	\$ 1,655,167	\$ 1,830,953	\$ 1,648,854

* Income accounts for the years 1940 and 1941 have been restated to conform to the classification followed in 1942 and 1943. Unamortized debenture discount and expense, previously written off, was restored in 1942. Amortization of debenture discount and expense has been charged to income in the amount of \$119,602 in 1942 and \$120,371 in 1943. Had amortization of debenture discount and expense been charged to income in 1941 and 1940, earnings in those years would have been reduced by \$252,587 and \$103,970, respectively.

Sales for the year 1943 were at the highest level in the history of the Company, increasing \$15,567,075 or 36% over 1942 and \$13,163,029 or 29% over 1941, the previous peak year. Substantially all major departments contributed to this increase, which was particularly marked in dyestuffs used for uniforms and other military equipment, in special war devices produced in the converted camera plant, and in photographic products for government use.

Profit from operations likewise reached record figures with an increase of \$4,487,010 or 49% over 1942 and \$3,444,951 or 34% over 1941. The ratio of operating profit to sales was 23% in 1943 as compared with 21% in 1942 and 22% in 1941. Substantially lower prices on direct sales to the government combined with higher wage rates and material costs contributed to the relatively small increase in the ratio of operating profit to sales.

Depreciation rates in 1943, as in 1942, generally conform to those used in determining Federal income taxes. Depreciation of \$1,904,425 charged to costs and expenses in 1943 includes amortization under Certificates of Necessity in the amount of approximately \$250,000.

Dividend income includes the amount of \$500,000 received from Winthrop Chemical Company. Although this dividend was unchanged from 1942, the equity of the Company in the earnings of Winthrop increased from \$663,180 in 1942 to \$700,175 in 1943. A book profit of \$471,753 was derived from sale of the Company's investments in common stock of Sterling Drug, Inc. and in preferred stocks of Plaskon Company, Incorporated. These securities had previously been written down by \$414,580 in conformity with the Company's policy of stating investments at cost or market whichever is lower.

Federal income and excess profits taxes for the year were accrued in the amount of \$9,003,562, or 66% of net income before taxes and provision for special accruals. Excess profits taxes are included in the amount of \$8,746,000 less the post-war credit of \$875,000. Of this credit, \$700,000 was utilized in connection with the redemption of \$1,750,000 principal amount of debentures on November 1, 1943.

Net profit, after deduction of the provision for special accruals due to wartime operations, amounted to \$3,624,800, an increase of \$250,583 or 7.4% over revised net profit of \$3,374,217 in 1942.

ASSETS AND LIABILITIES

Working Capital

Both cash and working capital were strengthened during the year. Cash and U. S. Government Securities, not including Treasury Tax Savings Notes, were increased by \$5,158,319 to \$11,147,460. In the face of a 36% expansion in volume of sales, receivables were up only \$615,009 or 12.2% and inventories increased \$1,278,471 or 6.7%.

Inventories are valued at the lower of average estimated cost or market and are discussed in more detail in Note 2 to the financial statements included in this report.

Net current assets increased from \$25,544,380 to \$29,150,038 or \$3,605,658. In view of the Company's early maturing debt as well as the uncertainties of war-time operations and the unpredictable demands of the post-war period, the management has considered it essential to maintain a strong liquid position.

Application of Funds

The increase in net current assets of \$3,605,658 resulted from the following provision and application of funds:

Funds Provided:

From operations—

Net profit for the year.....	\$3,624,800	
Add—Charges which require no outlay of funds—		
Depreciation	1,904,425	
Amortization of debenture discount and expense	120,371	
Post-war refund for excess profits tax.....	(175,000)	\$5,474,596
Securities sold (exclusive of profit of \$471,753 included in net profit above).....		1,900,485
Refunds of advances to Canadian subsidiary not consolidated—net		77,475
		<u>\$7,452,556</u>

Application of Funds:

Retirement of debentures.....	\$1,750,000	
Additions to plant and equipment.....	\$1,805,372	
Less—Retirements and sales (net).....	99,606	1,705,766
Purchase of securities—deposited with State of New York under Workmen's Compensation Act..		47,327
Changes in deferred charges, reserves and other items—net		343,805
		<u>3,846,898</u>
Increase in net current assets.....		<u>\$3,605,658</u>

Investments

As described in the 1942 Annual Report, the Company in 1943 sold at the redemption price its investment in 4,000 shares of \$6 cumulative preferred stock and 1,230 shares of 4% cumulative preferred stock of Plaskon Company, Incorporated. Following the merger of Plaskon Company and Libbey-Owens-Ford Glass Company, the Company received 19,500 shares of the capital stock of Libbey-Owens-Ford Glass Company in exchange for 6,500 shares of common stock of Plaskon Company, Incorporated which were carried on the books at a total amount of \$6,500.

In July 1943, the Company sold its holdings of 30,580 shares of common stock of Sterling Drug, Inc.

The investment in I. G. Chemie remains unchanged.

Capital Expenditures

Expenditures for additions to plant and equipment amounted to \$1,805,372 as compared with \$1,883,295 in 1942. Owing to shortages of material, expenditures were confined largely to those necessary to increase capacity for war products and maintain efficient operation. Construction was begun during the latter part of the year of an addition to the film coating facilities that will bring these facilities more nearly in balance with film casting capacity. Completion of this project is expected in 1944 at an aggregate cost of more than \$1,000,000, of which approximately \$195,000 was spent in 1943.

While capital expenditures have necessarily been less than in past years, expenditures for maintenance and repairs have not been unduly curtailed and a high standard of plant efficiency has been preserved.

Debt Reduction

On November 1, 1943, \$1,750,000 principal amount of debentures was redeemed at par, reducing the outstanding principal amount to \$15,000,000.

An additional \$3,000,000 principal amount has been called for redemption on May 1, 1944. The necessary funds will be supplied from the cash resources of the Company. This redemption will reduce the Company's funded indebtedness from \$15,000,000 to \$12,000,000.

Reserve for Contingencies

The Company is currently producing dyestuffs going indirectly into military and other government uses in shades of khaki, olive, etc. at rates many times in excess of pre-war demand for these colors. As stated in Note 2 to the financial statements, the Company is not protected by forward contracts designed to cover possible excessive inventories when military demand ceases. The Reserve for Contingencies in the amount of \$1,000,000, appropriated from earnings in 1940 and 1941, is available as a cushion against such inventory losses as may arise from the cessation of military demand.

PRODUCTION

The Company's production is carried on by three Divisions: the General Aniline Works Division, the Ansco Division (formerly Agfa Ansco), and the Ozalid Products Division.

The General Aniline Works Division manufactures primarily dyestuffs and auxiliaries used in connection with the dyeing process and for other purposes. It is one of the principal producers of the types of dyestuffs required for military uniforms and equipment. Production of such dyestuffs in 1943 was increased more than 60% over 1942 and more than 120% over 1941.

Auxiliaries manufactured by the General Aniline Works Division include synthetic detergents, the production of which has been largely increased to meet requirements of the Armed Forces for mobile laundries and for special soaps effective in sea water.

This Division also manufactures carbonyl iron powder, which is used principally for the production of cores for radio equipment required by the Armed Forces; and Polectron resins, used in substitutes for mica, which have enabled the Armed Forces to obtain an important new type of electrical equipment.

O The Ansco Division manufactures film and other photographic products, and until August 1942 produced cameras for civilian trade. The Camera Plant is now devoted substantially 100% to war products, the output of which was more than quadrupled in 1943 over 1942. Production of film in 1943 increased about 18% over 1942 and larger Government requirements for film products were met by reducing the amount available to the civilian market.

The Ozalid Products Division is engaged in the sensitizing of paper and cellulose acetate films for the reproduction of drawings and printed or typed copy, and in the manufacture of machines for their exposure and development. Output of sensitized materials, after an increase of 81% in 1942 over 1941, showed a further expansion of 17% in 1943 over 1942.

ARMY-NAVY E

Employees of the Ansco and Ozalid Divisions have each been awarded the Army-Navy E for "great accomplishment in the production of war equipment". Appropriate ceremonies will be held at Binghamton and Johnson City, New York on March 27.

RESEARCH

The 1942 Annual Report discussed the need for, and establishment of, the new Research Division. The research staff has been approximately doubled during the past year and the personnel of the Market Development and Patent Departments has been increased.

O The major efforts of the research staff are devoted to strengthening the Company's position in its established lines of dyestuffs, intermediates, photographic materials and Ozalid products, all of which are essential to the Armed Services. Close attention is also being given to the opportunities presented for expansion into more diversified and rapidly growing chemical fields. Research and development have already yielded new products valuable to the war effort which hold interesting possibilities for peace-time applications. Additional products are in the pilot plant stage and still others are being actively studied.

PATENTS

The Company is the owner of more than 4,000 patents and patent applications in chemical and other fields. The Board of Directors has recognized the responsibility imposed by ownership of these patents as well as the necessity of continuing research in American industry to further the successful prosecution of the war. Accordingly it has expanded its research program to develop these patents and has adopted and pursued the following patent licensing policy:

A All patent holdings are available for licensing for war requirements upon request of the proper Government authority.

Patent rights in those fields in which the Company is not actually engaged are available for licensing on reasonable terms and royalties to responsible and capable interests to the end that the most effective use may be made thereof in the varied phases of war production.

Patent rights in those fields in which the Company is actually engaged are also available for licensing for the duration of the war, on reasonable terms and royalties, to responsible and capable licensees when the Company is unable to supply the products it manufactures under such patents in sufficient quantities to meet the demands for war use or vitally war-connected use, or when it is so requested by proper Government authority.

The research laboratories and organization have been established and are operating with these ends in view.

EMPLOYEE RELATIONS

The harmonious relationship between management and employees, which has existed for many years, continued throughout the year. The total number of employees has increased from 6,035 in January 1943 to 7,027 in January 1944. The 1943 labor turnover for the Company was only about two-thirds of the national average and the absentee rate was approximately half that of the national average as reported by the National Industrial Conference Board.

Since October 1940, 1,746 employees, representing 29% of the number on the payroll at the beginning of 1943, have entered the Armed Services. Of these, ten have died in the service, and one hundred and seven have been discharged and returned to their former jobs with the Company. To their associates now in the Armed Services, all members of the organization acknowledge their obligation and extend their best wishes.

By loyally accepting the added duties of wartime operation, the remaining men and women of the Company's plants and offices have been primarily responsible for the results of the past year.

BOARD OF DIRECTORS

At an adjourned meeting of stockholders held on July 13, 1943, the stockholders approved amendments to the By-Laws of the Company providing that the number of directors shall be fifteen, but that the number thereof may be increased, or diminished to not less than three by amendment of the By-Laws. Fifteen directors, of whom two have since resigned, were elected at this meeting. The Board of Directors subsequently elected Mr. George W. Burpee President.

ACKNOWLEDGMENT

The directors and officers wish to express their appreciation to the Hon. Leo T. Crowley, Alien Property Custodian, the Hon. James E. Markham, Deputy Alien Property Custodian, and the members of the Custodian's staff for their counsel and assistance in working toward a solution of certain of the Company's problems.

By order of the Board of Directors,

GEORGE W. BURPEE,
President.

New York, New York.
March 23, 1944.

ARTHUR ANDERSEN & CO.

AUDITORS' REPORT

*To the Board of Directors,
General Aniline & Film Corporation:*

We have examined the consolidated balance sheet of General Aniline & Film Corporation (a Delaware corporation) and subsidiary companies as of December 31, 1943, and the statements of consolidated profit and loss and earned surplus for the year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We had previously made a similar examination for the year 1942. Although we were unable to obtain direct confirmation of certain receivables from Government departments and agencies, we satisfied ourselves by checking subsequent receipts for a substantial portion of such receivables into the cash records of the Company and by other audit procedures.

The investment in Internationale Gesellschaft fuer Chemische Unternehmungen A. G., Basle, Switzerland is carried at quoted market value as of December 31, 1940 (see Note 4). Owing to war conditions, Swiss market quotations available since December 31, 1940 have been considered by the management to be of doubtful significance. In the absence of recent information as to the assets and liabilities of the Swiss Company, the value, if any, which should be attributed to the investment is not now determinable. Pending determination of such value, the Company, pursuant to authorization of the Board of Directors, appropriated and set apart earned surplus as of December 31, 1942 in an amount equivalent to the net carrying value of the investment.

Except for the effect of possible adjustments in connection with the investment referred to in the preceding paragraph about which we are unable to express an opinion, the accompanying consolidated balance sheet and related statements of consolidated profit and loss and earned surplus, in our opinion, present fairly the consolidated position of the companies at December 31, 1943, and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

New York, N. Y.,
March 14, 1944.

GENERAL ANILINE & FILM CO

Consolidated

ASSETS	December 31	
	1943	1942
CURRENT ASSETS:		
Cash on hand and demand deposits.....	\$ 9,772,931	\$ 5,664,612
U. S. Government securities (at the lower of cost or market).....	\$ 1,374,529	\$ 324,529
Receivables—		
General Dyestuff Corporation (Note 1).....	\$ 2,410,054	\$ 1,721,331
U. S. Government departments and agencies.....	1,258,816	1,825,030
Other customers	1,987,697	1,551,769
Miscellaneous	136,536	134,440
	\$ 5,793,103	\$ 5,232,570
Less—Reserve for doubtful receivables.....	136,770	191,246
	\$ 5,656,333	\$ 5,041,324
Inventories (including \$2,271,521 in 1943 and \$1,749,093 in 1942 on consignment with General Dyestuff Corporation), priced at the lower of average estimated cost or market (Note 2)—		
Finished goods	\$ 8,124,549	\$ 7,294,612
Goods in process	6,973,382	6,637,906
Raw materials	4,178,120	4,395,337
Supplies, containers and goods in transit.....	1,072,227	741,952
	\$20,348,278	\$19,069,807
Total current assets.....	\$37,152,071	\$30,100,272
INVESTMENTS (Page 12):		
Marketable securities, at the lower of cost or market (quoted market value, \$2,222,595 in 1943 and \$3,121,918 in 1942).....	\$ 900,612	\$ 2,369,597
Securities deposited with State of New York under Workmen's Compensation Act, at the lower of cost or market (quoted market value, \$148,086 in 1943 and \$100,075 in 1942).....	140,428	93,101
Sundry investments, at cost (Note 3).....	1,144,009	1,575,509
Investment in and advances to Canadian subsidiary, not consolidated (underlying book value in terms of U. S. dollars, \$269,508 in 1943 and \$336,695 in 1942).....	173,681	251,156
Post-war refund of excess profits tax.....	175,000	—
	\$ 2,533,730	\$ 4,289,363
INVESTMENT IN COMMON STOCK OF INTERNATIONALE GESELLSCHAFT FUER CHEMISCHE UNTERNEHMUNGEN A. G., BASLE, SWITZERLAND (Note 4)	\$ 9,255,530	\$ 9,255,530
Less—Deferred uncalled for balance on 50% paid stock.....	1,660,230	1,660,230
	\$ 7,595,300	\$ 7,595,300
FIXED ASSETS, at cost:		
Land	\$ 757,758	\$ 756,269
Buildings	12,876,761	12,618,174
Machinery and equipment, etc.	23,780,842	22,454,813
	\$37,415,361	\$35,829,256
Less—Reserves for depreciation.....	16,841,256	15,056,492
	\$20,574,105	\$20,772,764
PATENTS, TRADEMARKS AND FORMULAS	\$ 1	\$ 1
PREPAID EXPENSES AND DEFERRED CHARGES:		
Prepaid insurance and taxes.....	\$ 504,255	\$ 415,070
Unamortized debenture discount and expense.....	369,189	489,561
Deferred engineering and tooling expense (being amortized on the basis of deliveries under contracts).....	622,257	139,143
Other	109,679	115,805
	\$ 1,605,380	\$ 1,159,579
	\$69,460,587	\$63,917,279

Reference is made to the accompanying notes which

PORATION AND SUBSIDIARY COMPANIES

Balance Sheets

	December 31	
	1943	1942
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable—		
Trade	\$ 1,915,179	\$ 1,063,402
Other	199,291	138,204
Taxes withheld at source.....	460,165	155,348
Accrued liabilities—		
Salaries, wages and commissions.....	318,145	194,503
Interest on debentures.....	137,500	153,541
Taxes (other than Federal income and excess profits taxes).....	382,099	253,185
Other	221,891	30,484
Net refund on renegotiation for the year 1942 (Note 5).....	—	109,250
Provision for special accruals due to wartime operations (renegotiation, deferred costs related to the war period, etc.) (Note 5).....	1,000,000	—
Provision for Federal income and excess profits taxes (subject to review by U. S. Treasury Department).....	9,670,911	5,834,103
Less—U. S. Treasury Notes, Tax Series B and C (including accrued interest thereon).....	(6,303,148)	(3,376,128)
Employees' defense bond purchase account.....	69,770	90,120
Less—Cash on deposit for purchase of bonds.....	(69,770)	(90,120)
Total current liabilities.....	\$ 8,002,033	\$ 4,555,892
5½% DEBENTURES, DUE MAY 1, 1949 (\$3,000,000 principal amount has been called for redemption on May 1, 1944).....	\$15,000,000	\$16,750,000
RESERVES:		
Contingencies	\$ 1,000,000	\$ 1,000,000
Workmen's compensation, self-insurance.....	366,764	279,702
Other	172,084	36,568
	\$ 1,538,848	\$ 1,316,270
CONTINGENT LIABILITIES (Note 6)		
CAPITAL STOCK AND SURPLUS (Note 7):		
Capital stock—		
Common A stock of no par value, stated at \$25.00 per share, authorized 3,000,000 shares, issued 529,701 shares.....	\$13,242,525	\$13,242,525
Common B stock of \$1.00 par value, authorized and issued, 3,000,000 shares	3,000,000	3,000,000
	\$16,242,525	\$16,242,525
Capital surplus	12,902,432	12,902,432
Earned surplus—		
Appropriated pending determination of value of investment in Internationale Gesellschaft fuer Chemische Unternehmungen A. G., Basle, Switzerland (Note 4).....	7,595,300	7,595,300
Unappropriated, per accompanying statement.....	9,244,700	5,619,900
	\$45,984,957	\$42,360,157
Deduct—Stock held in treasury—		
Common A stock, 2031.68 shares in 1943 and 2029.35 shares in 1942, at cost.....	\$ 115,251	\$ 115,040
Common B stock, 950,000 shares, at par value of \$1.00 per share (cost \$1,900,000)	950,000	950,000
	\$ 1,065,251	\$ 1,065,040
Total capital stock and surplus.....	\$44,919,706	\$41,295,117
	\$69,460,587	\$63,917,279

an integral part of the above consolidated balance sheets.

**GENERAL ANILINE & FILM CORPORATION
AND SUBSIDIARY COMPANIES**

Statements of Consolidated Profit and Loss

	Year Ended December 31	
	1943	1942
NET SALES (Note 1).....	\$58,807,790	\$43,240,715
COST OF SALES.....	34,119,940	25,566,972
Gross profit on sales.....	<u>\$24,687,850</u>	<u>\$17,673,743</u>
DEDUCT:		
Commissions to General Dyestuff Corporation, sales agent for dyestuffs (Note 1).....	\$ 4,804,804	\$ 3,283,316
Other selling, general and administrative expenses.....	6,331,333	5,325,724
	<u>\$11,136,137</u>	<u>\$ 8,609,040</u>
Profit from operations.....	<u>\$13,551,713</u>	<u>\$ 9,064,703</u>
OTHER INCOME:		
Dividends and interest on domestic securities.....	\$ 657,561	\$ 690,015
Royalties	147,677	83,594
Profit on sale of securities.....	471,753	411,871
Discount on purchases.....	130,516	127,576
Other	56,781	38,891
	<u>\$ 1,464,288</u>	<u>\$ 1,351,947</u>
Total	<u>\$15,016,001</u>	<u>\$10,416,650</u>
OTHER DEDUCTIONS:		
Interest on debentures.....	\$ 905,208	\$ 984,271
Amortization of debenture discount and expense.....	120,371	119,602
Premium paid on debentures retired.....	—	47,629
Discount on sales.....	268,503	283,623
Other	93,557	63,525
	<u>\$ 1,387,639</u>	<u>\$ 1,498,650</u>
Profit before provisions for Federal income and excess profits taxes, and for special accruals due to wartime operations, etc.	<u>\$13,628,362</u>	<u>\$ 8,918,000</u>
PROVISION FOR FEDERAL INCOME AND EXCESS PROFITS TAXES:		
Normal and surtax.....	\$ 1,132,562	\$ 1,252,233
Excess profits tax (post-war refund and credits used for debt retirement aggregated \$875,000 in 1943 and \$464,700 in 1942).....	7,871,000	4,182,300
	<u>\$ 9,003,562</u>	<u>\$ 5,434,533</u>
Profit before provision for special accruals due to wartime operations, etc.	<u>\$ 4,624,800</u>	<u>\$ 3,483,467</u>
NET REFUND ON RENEGOTIATION FOR THE YEAR 1942 (Note 5).....	—	109,250
PROVISION FOR SPECIAL ACCRUALS DUE TO WARTIME OPERATIONS (re- negotiation, deferred costs related to the war period, etc.) (Note 5).....	1,000,000	—
Net profit	<u>\$ 3,624,800</u>	<u>\$ 3,374,217</u>

Provisions for depreciation charged to costs and expenses during the year amounted to \$1,904,425 in 1943 and \$1,655,167 in 1942.

Reference is made to the accompanying notes which are an integral part of the above statements.

**GENERAL ANILINE & FILM CORPORATION
AND SUBSIDIARY COMPANIES**

***Statement of Consolidated Unappropriated Earned Surplus
For the Year Ended December 31, 1943***

Balance, December 31, 1942, as adjusted:	
(Balance per 1942 annual report, \$5,729,150, less adjustment of \$109,250 resulting from renegotiation of 1942 business) (Note 5)	\$5,619,900
Net profit for the year ended December 31, 1943.....	3,624,800
Balance, December 31, 1943.....	<u>\$9,244,700</u>

Reference is made to the accompanying notes which are an integral part of the above statement.

**GENERAL ANILINE & FILM CORPORATION
AND SUBSIDIARY COMPANIES**

Statements of Investments

Exclusive of investment in Common Stock of Internationale Gesellschaft fuer Chemische Unternehmungen
A. G., Basle, Switzerland (Note 4) and post-war refund of excess profits tax.

	December 31, 1943		December 31, 1942	
	Shares or Units	Amount	Shares or Units	Amount
Marketable securities, at the lower of cost or market (quoted market value, \$2,222,595 at December 31, 1943 and \$3,121,918 at December 31, 1942):				
E. I. du Pont de Nemours & Co., common stock.....	5,400	\$ 579,150	5,400	\$ 579,150
Libbey-Owens-Ford Glass Co., common stock.....	19,500	6,500	—	—
Standard Oil Company (N. J.), common stock.....	53	1,574	53	1,574
Consolidated Natural Gas Company, common stock.....	5	—	—	—
Standard Oil Company of California, common stock.....	10,000	188,750	10,000	188,750
Standard Oil Company (Indiana), common stock.....	5,900	124,638	5,900	124,638
Sterling Drug, Inc., common stock.....	—	—	30,580	1,475,485
Peoples Light and Power Company, Class B common stock.....	1,500	—	1,500	—
Peoples Light and Power Company, \$3.00 cumulative preferred stock	1,500	—	1,500	—
Minnesota and Ontario Paper Company, common stock.....	300	—	300	—
Total		<u>\$ 900,612</u>		<u>\$2,369,597</u>
Securities deposited with State of New York under Workmen's Compensation Act, at the lower of cost or market (quoted market value, \$148,086 at December 31, 1943 and \$100,075 at December 31, 1942):				
New York City Serial Bonds, 4%, due May 1, 1959.....	\$10,000	\$ 10,286	\$10,000	\$ 10,286
New York City Corporate Stock, 4%, due May 1, 1959.....	5,000	5,400	5,000	5,400
New York City Corporate Stock, 4 1/4%, due Jan. 1, 1977.....	15,000	15,900	15,000	15,900
New York City Corporate Stock, 4 1/4%, due Nov. 15, 1978.....	10,000	10,900	10,000	10,900
New York State Bonds, 1 3/4%, due April 19, 1944.....	40,000	40,300	40,000	40,300
U. S. Treasury Bonds, 2%, due Dec. 15, 1947.....	10,000	10,315	10,000	10,315
U. S. Treasury Bonds, 2%, due Sept. 15, 1952.....	47,000	47,327	—	—
Total		<u>\$ 140,428</u>		<u>\$ 93,101</u>
Sundry investments, at cost (Note 3):				
Plaskon Company, Incorporated, \$6.00 cumulative preferred stock	—	\$ —	4,000	\$ 312,500
Plaskon Company, Incorporated, 4% cumulative preferred stock	—	—	1,230	112,500
Plaskon Company, Incorporated, common stock.....	—	—	6,500	6,500
Winthrop Chemical Company, common B stock.....	6,150	1,144,009	6,150	1,144,009
Total		<u>\$1,144,009</u>		<u>\$1,575,509</u>
Investment in and advances to Canadian subsidiary, not consolidated (underlying book value in terms of U. S. dollars, \$269,508 at December 31, 1943 and \$336,695 at December 31, 1942):				
AnSCO of Canada Limited, capital stock.....	670	\$ 67,000	670	\$ 67,000
Advances to Ansco of Canada Limited.....		106,681		184,156
Total		<u>\$ 173,681</u>		<u>\$ 251,156</u>

**GENERAL ANILINE & FILM CORPORATION
AND SUBSIDIARY COMPANIES**

*Notes to Consolidated Financial Statements
For the Year Ended December 31, 1943*

1. The dyestuffs and textile auxiliaries manufactured by the Company are, with some minor exceptions, sold exclusively by General Dyestuff Corporation under arrangements more fully described in the Annual Report for 1942. Title to all of the capital stock of General Dyestuff Corporation has been vested in the Alien Property Custodian of the United States of America. ✓

2. The Company manufactures dyestuffs which are used indirectly for military and other Government purposes and, in connection therewith, the related inventories have been increased to enable prompt compliance with Government demands. Sales of such products are made through the regular trade channels and the Company is not protected by forward contracts designed to cover possible excessive inventories on hand when the military demand ceases. Approximately \$1,200,000 of the inventories at December 31, 1943 represent finished dyestuffs and work in process which are currently active but in which, on the basis of pre-war experience, little movement may be expected after termination of the war demand.

As a result of restrictions on the consumption of dyestuffs for civilian needs, the Company has relatively large stocks of civilian dyestuffs and materials used in their manufacture. While little or no movement may be expected during the period of hostilities, these goods should be readily salable on resumption of normal civilian demand. The amount of inventories at December 31, 1943 in excess of estimated requirements for one year, on the basis of 1943 usage, was approximately \$1,800,000. In the opinion of the management, there will be no deterioration in these inventories before final disposition thereof.

As in prior years, inventories have been priced at the lower of average estimated cost or market. In the dye works division, the Company has used a process cost system under which raw materials are included on the basis of actual cost, and actual labor and overhead costs are apportioned over the production of each department on the basis of theoretical operating expenses estimated by the Company's chemists. The accuracy of this allocation of labor and overhead costs to individual products is dependent upon the accuracy of such theoretical expenses, many of which have been arbitrarily estimated. As of January 1, 1944, the Company put into effect a new cost accounting system which it is anticipated will furnish more accurate distribution of labor and overhead costs. Based upon comprehensive comparisons of unit costs with selling prices, the management is satisfied that the inventories at December 31, 1943 are reasonably stated.

3. Sundry investments at December 31, 1943 represent an investment in Winthrop Chemical Company which has no quoted market price and is carried at a cost of \$1,144,009. The Company's equity in the net worth of Winthrop Chemical Company as shown by its financial statements for the year 1943 amounted to \$2,939,832. The Company's equity in the net profit of Winthrop Chemical Company for the year 1943 amounted to \$700,175. Dividends received during the year amounted to \$500,000.
4. The Company owns 56,300 shares of fully paid and 28,600 shares of 50% paid common stock of Internationale Gesellschaft fuer Chemische Unternehmungen A. G., Basle,

Switzerland (I. G. Chemie). Until December 31, 1940, the Company followed the practice of adjusting its investment in I. G. Chemie at the close of each year to the lower of cost or quoted market value and by December 31, 1940 had written down the original cost of \$14,958,516 to \$9,255,530 by charges to earned surplus. The balance unpaid at December 31, 1940 on the 50% paid common stock, payable in Swiss francs, amounted to \$1,660,230 based on the current rate of exchange as of that date. Owing to war conditions, Swiss market quotations available since December 31, 1940 have been considered by the management to be of doubtful significance. In view of the foregoing and the absence of recent information as to the assets and liabilities of I. G. Chemie, the value, if any, which should be attributed to the investment is not now determinable. As a result, no adjustment of either the investment or liability accounts has been made since December 31, 1940. However, pending determination of such value, the Company, pursuant to authorization of the Board of Directors, appropriated and set apart as of December 31, 1942 earned surplus in an amount equivalent to the net carrying value of the investment.

5. The Company's contracts and subcontracts relating to certain Government business are subject to renegotiation under the Sixth Supplemental National Defense Appropriation Act, as amended. Renegotiation proceedings for the year 1942 were completed in 1943 and as a result thereof, the Company paid to the Government \$366,292, including \$257,042 received in 1943 in settlement of a claim arising in 1942 for contract cancellation. The latter amount was not reflected in income for the year 1942 and, consequently, the net effect of renegotiation on the statement of profit and loss for the year 1942, as previously published, was to reduce the profit by \$109,250, representing a gross adjustment of \$575,000, less Federal excess profits taxes applicable thereto of \$465,750. The amount of \$109,250 was charged to earned surplus in 1943, but for purposes of comparison it has been reflected in the accompanying statement of consolidated profit and loss for the year 1942 and in the balance sheet as of December 31, 1942.

Proceedings relating to renegotiation of contracts and subcontracts for 1943 have been initiated. It is impossible at this time to determine the results of such proceedings. If, however, the basis apparently used in determining the amount of profit deemed to be excessive in 1942 is used in 1943, it is the opinion of the Company that the allowance included as part of the "Provision for special accruals due to wartime operations (renegotiation, deferred costs related to the war period, etc.)" will be adequate.

6. At December 31, 1943 there were certain civil lawsuits and claims pending against the companies which, in the opinion of the management, are immaterial in relation to the total assets or operations of the companies. In addition, four indictments have been returned against the Company for alleged violation, prior to February 1942, of the Anti-Trust laws.
7. The Certificate of Incorporation of the Company, as amended, provides that in the case of liquidation or dissolution of the Company, holders of Common A Stock shall first receive not in excess of \$75 per share of the assets available for distribution and thereafter shall participate in any remaining assets, share for share, with holders of the Common B Stock. The aggregate of the preference on liquidation or dissolution in respect of the 527,669.32 shares of Common A Stock outstanding is \$26,383,466 in excess of the aggregate stated value of such stock. In the opinion of counsel for the Company, there are no restrictions upon surplus growing out of the fact that the amount to which the holders of the Common A Stock are entitled in liquidation exceeds the stated value thereof.

The Certificate of Incorporation also provides that "for each one dollar (\$1.00) or fraction thereof, of dividends, declared and paid on each share of Common A Stock, dividends of ten (10) cents, or fraction thereof, shall be declared and paid on each share of Common B Stock, and no dividend shall be declared and paid on either Common A or Common B Stock, unless at the same time dividends as herein provided are declared and paid on both Common A and Common B Stock."

As of December 31, 1943, title to 477,389 shares out of 527,669.32 outstanding shares of Common A Stock and all of the outstanding shares of Common B Stock of the Company was vested in the Alien Property Custodian. ✓